



PRUDENTIAL

Prudential plc

英國保誠有限公司*

(Incorporated and registered in England and Wales under the number 01397169)

(Stock code: 2378)

Prudential plc Group Remuneration Committee – Terms of Reference

1. Constitution

- 1.1 The Board of Directors hereby resolves to establish a Committee of the Board to be known as the Remuneration Committee with Terms of Reference as set out below.
- 1.2 The Board will regularly review the Terms of Reference and may amend them from time to time.

2. Purpose

The Committee shall be accountable to the Board and shall assist the Board in meeting its responsibilities regarding the determination of the overall remuneration policy for the Group. The Committee's remit includes responsibility for determining the remuneration of the Chairman and the Executive Directors of the Company, and overseeing the remuneration arrangements of the Group Leadership Team and other selected individuals. The Committee's responsibilities include:

- 2.1 reviewing the design of all share incentive plans operating over Prudential plc shares;
- 2.2 reviewing the design of all long term incentive arrangements applying to Executive Directors;
- 2.3 approving the annual Directors' Remuneration Report; and
- 2.4 monitoring the remuneration of the Group Leadership Team and other selected individuals (including senior staff in the risk, control and governance functions and those with the capacity to earn £1m or more in a particular year).

3. Authority

- 3.1 The Board authorises the Remuneration Committee to investigate any matter within its Terms of Reference and to seek any information it requires from any employee (all employees being directed to co-operate with any such request by the Committee) and to obtain outside legal or other independent professional advice at the cost of the Company including obtaining advice from third parties with relevant experience and expertise in connection with the matters within these Terms of Reference.
- 3.2 If it so wishes, the Remuneration Committee may use the same external advisors as are used by the management of the Company provided that the Committee is satisfied that no conflict of interest arises. The Committee should ensure that a statement of whether the advisors have any other connection with the Company is made available.

- 3.3 The Remuneration Committee may not discuss, or pass resolutions in respect of, the remuneration of, or the terms of any consultancy agreement with, any Non-Executive Director which shall be a matter for the Board itself, subject to the provisions of the Articles of Association of the Company.
- 3.4 The Remuneration Committee will determine any other matter, which the Board shall advise the Remuneration Committee is reserved to be determined by it.
- 3.5 The Remuneration Committee shall, where appropriate, consult with the Group Chief Executive and the Chairman of the Board.

4. Membership

- 4.1 All members of the Committee and its Chairman shall be appointed by the Board, and shall have the skills and experience to reach an independent judgement on the suitability of remuneration policies. The Committee shall be selected from the independent Non-Executive Directors and in any event will be composed of no fewer than three independent Non-Executive Directors.
- 4.2 The Chairman, Group Chief Executive, Group Human Resources Director, Director of Group Reward and Employee Relations, Chief Financial Officer, Group Chief Risk Officer and other members of management and external advisors or any other person the Chairman of the Committee may deem appropriate, may attend Committee meetings at the invitation of the Chairman of the Committee. No individual is present when their own remuneration is being considered.
- 4.3 The Group Chief Risk Officer will be invited to attend Remuneration Committee meetings as appropriate to report on the Company's risk profile and appetite, and to consider the implications of remuneration policies for risk and risk management within the Group.
- 4.4 A quorum is two members of the Committee.
- 4.5 The Company Secretary or his nominee shall act as the Secretary of the Committee.

5. Meetings

- 5.1 The Committee shall meet at least three times a year and more often if required.
- 5.2 Company Secretary (or his nominee) will minute the proceedings of all meetings of the Committee and will retain copies of all minutes and papers.
- 5.3 The Chairman of the Committee shall be responsible for reporting formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.

6. Duties

The Remuneration Committee in carrying out its duties under these Terms of Reference will:

- 6.1 have regard to the UK Corporate Governance Code (formerly the Combined Code), the Code on Corporate Governance Practices under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd ("Hong Kong Corporate Governance Code), other statutory and regulatory obligations and any other relevant corporate governance codes and guidelines in respect of remuneration policies and practices.
- 6.2 in making its decisions, where appropriate, be informed by a reasonable assessment of the Group's risk profile and appetite, and financial situation based on input from the Group Risk Committee and from the Group Chief Risk Officer.

- 6.3 take into account the long-term interests of shareholders, investors and other stakeholders in the Group.

Remuneration of Executive Directors

The Committee will:

- 6.4 review and make recommendations to the Board on the Company's framework and policy for Executive Directors' remuneration and its cost and on the establishment of a formal and transparent procedure for developing policy on such remuneration as the Committee may consider appropriate;
- 6.5 in determining the Executive Directors' individual remuneration packages (including basic salary, any annual bonuses, any participation in long term incentive Plan, benefits and pension arrangements), ensure that such remuneration is adequate to attract, motivate and retain personnel of a high calibre, and that it is capable of fairly rewarding Executive Directors' individual contributions to enhancing shareholder value. In discharging this duty, the Committee will undertake a review of individual packages at least annually, obtaining independent advice and drawing on internal expertise where appropriate;
- 6.6 ensure the remuneration policy is consistent with the Group's risk appetite and encourages strong risk management and solvency management practices;
- 6.7 by reference to corporate goals and objectives resolved by the Board from time to time, approve the design of, and determine the targets for, any performance related pay schemes operated by the Company for Executive Directors and approve the individual annual payments made under such schemes;
- 6.8 review the terms of Executive Directors' service agreements from time to time to ensure that they remain fair and reasonable and are in the interests of the Company and of shareholders;
- 6.9 review and approve the structure and quantum of any severance package for an Executive Director for any loss or termination of office or appointment and the compensation arrangements relating to such dismissal or removal, ensuring that contractual terms on termination, and any payments made, are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- 6.10 in determining such packages and arrangements, review and note annually the remuneration practice across the Group, salaries paid by comparable companies, the scope and time commitment and responsibilities of executive roles within Prudential;
- 6.11 agree the policy for authorising claims for expenses from the Group Chief Executive; and
- 6.12 disclose details of the remuneration paid to executive directors on an individual and named basis in the annual Directors' Remuneration Report which forms part of the annual report and accounts.

The Executive Directors are defined as the senior management population for the purposes of the Hong Kong Listing Rules.

Remuneration of the Group Leadership Team and other selected individuals

The Committee will:

- 6.13 determine the remuneration principles, policy and framework for the Group Leadership Team and other selected individuals (including senior staff in the risk, control and governance functions, and those with the capacity to earn £1m or more in a particular year); and

- 6.14 monitor the level, structure and any risk management implications of remuneration for the Group Leadership Team and other selected individuals (including senior staff in the risk, control and governance functions, and those with the capacity to earn £1m or more in a particular year).

Chairman's Fees

The Committee will:

- 6.15 receive and consider recommendations from the Senior Independent Non Executive Director regarding the fees to be paid to the Chairman; and
- 6.16 agree the policy for authorising claims for expenses from the Chairman.

Long Term Incentive Plans

The Committee will:

- 6.17 review the design and development of all share incentive plans requiring approval by the Board and/or shareholders; including the design and development of long term incentive plans applicable to Executive Directors ("the Plans") and make recommendations to the Board as to the adoption of the Plans and to any amendments to the terms of such plans;
- 6.18 for any such plans, determine each year, whether awards will be made, and if so, the value of such awards to be made to each Executive Director, the total number of shares awarded to all participants and the consequent dilution;
- 6.19 approve the performance targets for Executive Directors' annual and longer-term incentive plans and assess their performance against these targets;
- 6.20 exercise all powers under the rules of the Plans in respect of Executive Directors (including all-employee plans); and
- 6.21 approve any proposed actions of any committee appointed to administer the Plans, or of any share option committee of the Board (including all-employee plans), where they relate to an Executive Director.

Governance Matters

The Committee will:

- 6.22 ensure that the Chairman of the Remuneration Committee (or another member of the Remuneration Committee) is available to answer questions on Executive Directors' remuneration policy, principles and practice at the Annual General Meeting of the Company and to ensure that its Terms of Reference are made available;
- 6.23 be responsible for selecting and appointing any consultants advising the Remuneration Committee on Executive Directors' remuneration, if required, and for agreeing their Terms of Reference; and
- 6.24 ensure that all provisions regarding the disclosure of Directors' remuneration are properly fulfilled.

Approved by the Prudential plc Board on 24 February 2011.

** For identification purposes*